

GAO Issues Unqualified Audit Opinion on IRS Financial Statement

It is important that an

organization responsible for

collecting over \$2 trillion in

taxes...receive a clean bill

of health on their financial

statements.

he General Accounting Office (GAO) has issued an unqualified or "clean" audit opinion on the **Internal Revenue Service's** (IRS) financial statements for Fiscal Year 2001.

This marks the second consecutive year that the IRS has received a "clean" opinion.

A clean opinion means the GAO has audited our financial statements and can attest that they present fairly, in all material re-

spects, our total revenue, assets, liabilities, net position, and budgetary resources. It is important that an organization responsible for collecting over \$2 trillion in taxes, processing more than 210 million returns, and paying taxpayers refunds of \$251 billion, including \$36 billion in rebates under the Economic Growth and Tax Relief Reconciliation Act of 2001 receive a clean bill of health on their financial statements.

According to comments from GAO and the IRS, this is the result of a strong commitment and hard work by management and staff. This commitment was demonstrated by numerous improvements the IRS has undertaken. Specifically, the IRS:

- implemented a disposal process for property and equipment.
- implemented a process to ensure accruals were adequately reflected as of year-end.
- issued guidance and improved the review of and accounting for open obligations.

 implemented continuity of operations efforts, such as enhanced business systems preparedness and contingency capabilities for

potential biohazard threats, at each IRS campus

- established the Computer Security Incident Response Center, which became operational in FY 2001.
- required all personnel offices to report monthly all individuals who entered on duty prior to

a fingerprint result, effective October 2001.

IRS is also initiating short-term actions that will further improve the timeliness and accuracy of financial information. IRS plans to:

- improve guidance to the field about proper classification of property and equipment.
- improve the accrual process in FY 2002 to address timely recording of receipt of goods and services.
- institutionalize periodic reviews of general ledger balances during the year and post adjustments and correcting entries quarterly.
- record imputed costs regularly.
- provide guidance to the field about more accurately reporting revenue activity.

Text of the report Financial Audit: IRS' Fiscal Years 2001 and 2000 Financial Statements is available on the Chief Financial Officer Web site at http://www.fin.irs.gov/CFO/IRS 2001 d02414.pdf.



Director Bower's Message

Glen L. Bower
Illinois Department of Revenue Director

The Illinois financial crisis dominated the spring session of the General Assembly, out of which have come several items that will affect taxpayers and tax professionals. The budget solution raised cigarette taxes and decoupled Illinois from the accelerated depreciation in the Federal Job Creation Act. The Department of Revenue also saw cuts to its budget, as part of overall spending reductions.

Significant legislation passed this spring includes:

- ◆ HB 539 (Public Act 92-0536) Raises the tax on cigarettes by 40 cents for a pack of 20, to 98 cents, effective July 1. There is no floor tax but tax stamp sales are limited during June.
- ◆ SB 1543 Decouples Illinois from the accelerated depreciation provisions in the federal Job Creation Act, effective for taxable years 2001 and thereafter.

- ◆ SB 2212 A department initiative that makes several changes, including a definition of business income that authorizes a taxpayer to elect to treat all income, other than compensation, as business income for tax years beginning on or after January 1, 2003.
- ◆ SB 2210 Another department initiative that will let us, by rule, conform to a proposed federal extension of time for filing and payment of electronically filed income tax returns.
- ◆ SB 2209 Changes the imposition of tiered penalties under the Uniform Penalty and Interest Act to eliminate the situation where a penalty jumps a tier after a bill is sent but before the time period specified in the bill has been reached.

We will have a complete recap of legislative action in the next issue of the Illinois Fed-State Tax Review.



Territory Manager Kopeck's Message

Joanne Kopeck IRS Territory Manager Small Business/Self-Employed Division Taxpayer Education and Communication

It is hard to believe that another filing season has already come and gone. This filing season was a solid success, setting new records for processing returns and conducting electronic transactions.

Among this year's filing season record-setters were:

- ◆ Electronic filing: As of April 19, nearly 45.8 million taxpayers had e-filed, breaking the 40.2 million record for all of last year. Nearly 105,000 electronic return originators − up from 90,000 last year −participated in IRS e-file, giving their clients the most accurate returns and the fastest possible refunds.
- ♦ Home computer e-filing: People filed more than 9.1 million returns from their home computers, a 34 percent increase over the total for all of last year.

- ◆ Refunds: The IRS has processed more than 77 million refunds, worth nearly \$150 billion – a record average of \$1,937.
- ◆ Direct deposit: Nearly 36.5 million taxpayers have used direct deposit for their refunds, surpassing the almost 34 million for all of 2001.
- ◆ Electronic payments: There were more than 626,000 e-payments, a rise of 8 percent over the same time last year. This includes 62,000 more electronic funds withdrawals and 15,000 fewer credit card charges.
- ◆ Tax processing: Workers at IRS Centers had processed more than 88.5 million returns as of April 19, the earliest that this total has been reached.



Budget cuts will mean several reductions at the Department of Revenue. We will close four of our district offices: Peoria, Park City, Urbana, and Culver City, California. I also expect that the early retirement option will mean a significant reduction in our employment, including some of our veteran employees.

In the coming year, the department will increasingly focus on its core mission of collecting taxes and maintaining voluntary compliance. We will increase use of electronic filing, electronic payment, and electronic services to maintain operations with fewer resources.

We have passed the 1.6 million mark for electronically filed income tax returns, a new record and a number exceeded only by California and New York. Over the last four years, we have increased the number of electronically filed returns by more than 1 million.

As always, if you have a comment or a suggestion, feel free to contact me.

◆ Web activity: The IRS site at www.irs.gov remains one of the most used sites during the tax season, with 1.97 billion hits, a 28 percent increase from last year. The 78 million hits on April 15 set a new daily record for the site. Through March, the number of files downloaded topped 212 million, a 46 percent increase over the same period last year.

We are very proud of these accomplishments – especially in light of the extra challenges faced this year. For example, we've shifted our Individual Master File (IMF) and Business Master File (BMF) workloads among campuses, along with some changes in our work environments as a result of the terrorist attacks and the anthrax scare.

Even though the filing season is officially over, we will of course continue to provide taxpayer service, and our Submission Processing Sites continue to process returns well beyond April 15. This an important time in our country's history and American taxpayers are counting on the IRS more than ever. Our commitment to providing outstanding service is unwavering.

And of course, my personal thanks to all of you, the practitioner community. You are such an integral component of our partnership. We appreciate your tremendous efforts not only during the filing season, but every day as well.

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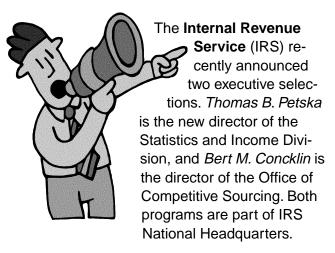
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Selected for Key IRS Positions



Petska has served as the acting director of Statistics and Income since March 2001. As director, he is responsible for managing and directing the agency's national statistical program, which involves budgeting and managing more than 50 statistical programs and related functions. He also serves as the division's principal liaison to the National Tax Association, the American Statistical Association, and the National Bureau of Economic Research.

Before his acting assignment as director, *Petska* was chief of the division's Special Studies Branch. He was responsible for IRS statistical studies for areas such as estates, personal wealth, gift taxes, foreign trusts, and nonprofit organizations.

Prior to his work at IRS, *Petska* was an economist in the Social Security Administration's Division of Economic Research, and he worked at the Bureau of Economic Analysis at the Commerce Department. He has a bachelor's degree in economics from Wabash College and a master's degree in economics from Purdue University.

Concklin is the first director of the Office of Competitive Sourcing. The new program compares private sector and government bids to

Check the Status of Your Federal Refund

If it has been eight weeks since you filed your tax return with the **Internal Revenue Service** (IRS) (three weeks if you filed electronically) and you haven't received your refund, you can check on the status of your refund by calling the IRS toll-free automated refund line at 1 800 829-4477. Be sure to have a copy of your tax return (or in the case of TeleFile returns, your TeleFile Tax Record) handy before you call so you can respond to questions.

After you enter the requested information, you'll receive a message telling you the status of your return. If you are unable to get the status of your refund by calling this number, you can call the IRS general assistance line at 1800 829-1040.

determine the most cost effective way to buy services through the purchasing process. The competitive sourcing program is a key component of IRS' business process reengineering efforts.

Concklin served previously as the associate commissioner for the IRS Business Systems Modernization program and has been involved in directing the development and acquisition of new information systems for modernization.

Before joining the IRS, Concklin was president of the Professional Services Council, a national trade association that represents companies in the professional and technical services sector. He also served as assistant secretary/deputy assistant secretary for the Occupational Safety and Health Administration and director of Information Systems with the Office of Management and Budget. Concklin has a bachelor's degree in engineering from the U.S. Naval Academy.





for Electronic Tax Professionals

Tax Professionals - Don't Be Left Behind, Get on Board Today!

If you **are not** currently a member of our Illinois Electronic Filing Program, call us today and let us assist you in enrolling – "Get on Board Today". Just pick up the phone and dial *217 785-5739* or our toll-free number, *1 866 440-8680*. In 2002, IDOR has seen the largest increase in tax professionals participating in the electronic filing program, with 38 percent more electronic filing tax professionals in our program than in the entire 2001 processing season!

We welcome all new electronic filing tax professionals to our electronic filing program and thank all who continue to participate.

Sneak Preview

We have begun planning for the 2003 filing season. Items under discussion include extending the electronic filing season to October 15, 2003, and adding the Direct Debit option directly into the e-File and Internet Filing methods.

IDOR is continuously working to increase the number of electronically filed returns. To do that, we know we must continually improve our program. Your suggestions and comments are important and needed to make those improvements.

We encourage you to send us any and all suggestions and comments on how we can improve our electronic filing program. Please e-mail us at *Econnection@revenue.state.il.us*.

Attention e-Filing Tax Professionals The Illinois Department of Revenue (IDOR) installed a toll-free telephone number exclu-

installed a toll-free telephone number exclusively for electronic filing tax professionals. Our intention was to provide a direct phone line to the electronic filing division to provide help in the most expeditious way possible. Employees in the electronic filing division have also provided their direct phone number.

Currently, our toll-free and direct phone numbers are being used by numerous taxpayers. This is causing delays in assisting the electronic filing tax professionals. Please do not distribute the electronic tax professional toll-free number or the staff's direct numbers to any of your clients, so that we may help the electronic tax professionals in the fastest way possible.

The department provides a toll-free telephone number, *1 800 732-8866*, for your client's convenience.



Saving Your Tax Dollars



The **Illinois Department of Revenue** (IDOR) is "one step closer" to a paperless process! For the 2002 processing season, IDOR directed tax professionals to its Web site to view and print the 2001 forms and booklets for the electronic filing process. In previous years, IDOR mailed paper copies. This new process saved tax dollars in printing and postage costs. We thank all of you for your support and cooperation in making our electronic filing program a more paperless and cost effective process!

2002 IL-1040 Processing Season Summary

The Illinois Department of Revenue (IDOR) has completed the processing of 5.5 million IL-1040 returns. This processing season saw a 26.6 percent increase in electronically filed returns, and a 52 percent increase in the number of refunds direct deposited into taxpayer's bank accounts.

The department reached its electronic filing goal by processing over 1.6 million electronic returns (29 percent of total). See the Filing Methods chart for details.

Direct deposit and electronic filing proved to be a beneficial combination as 629,300 electronic filing taxpayers utilized the direct deposit option. As promised, these taxpayers received their refunds in about one week.

Among our electronic filing methods, we saw increases as follows:

Tax Professionals

+ 278,410

Software prepared

+ 62,247

→ Internet

+ 24,105

→ TeleFile

- 26,051

The electronic tax professionals toll-free telephone line (1 866 440-8680) expedited answers to problems. Please remember not to share the telephone number with individual taxpayers. It is exclusively for tax professionals during the electronic filing season.

In 2003, the department's goal will be to have one of every three IL-1040s filed electronically.

Filing Methods	2001	2002
Electronic File	952,934	1,232,126
PC File	107,002	170,027
TeleFile	147,014	120,963
I-File	62,222	86,411
2-D Bar Code Paper	1,048,380	1,186,464
Paper	3,262,879	<u>2,774,791</u>
Total	5,580,431	
IL-1040 filing data as of June 14, 2002.		

IDOR Reminders for Electronic Tax Professionals

Electronically File Through August 15, 2002
The Illinois Department of Revenue (IDOR) accepts electronically filed 1040 returns until midnight on August 15, 2002. However, this extension of time to file electronic returns is not an extension of time for paying tax due. Any tax due should have been paid on or before April 15, 2002.

Acknowledgments

Each year, IDOR must contact numerous EROs and remind them to pick up their transmission acknowledgments. Please remember it is mandatory that you retrieve your transmission acknowledgments from our communication processor.

Acknowledgments are your clients "proof of filing" – and we use this as one of our marketing tools to get more taxpayers to e-File with their tax professional. Picking up your acknowledgments in a timely manner also alerts you to those returns that may have been rejected and are not yet filed.

File a Revised IL-8633 to Report Changes

If you are an IDOR registered participant that has any business information change, you must file Form IL-8633, Application to File Illinois Income Tax Returns Electronically, and check the "Revised" box in the upper right hand corner. You can obtain Form IL-8633 through our Web site at *www.ILtax.com* or by calling our 24-hour Forms Order Line at *1 800 356-6302*.



IRS Pre-Filing Agreements

What if a taxpayer desired to have the **Internal Rev**enue Service (IRS) examine a specific issue before the tax return containing the issue was even filed? What if the taxpayer wanted some degree of certainty as to how the IRS would view the issue at a point of time earlier than a post filing examination?

It is possible to obtain both of these desired outcomes through the use of an instrument called the LMSB Pre-Filing Agreement (PFA). The PFA program is available to taxpayers subject to the jurisdiction of the Large and Mid-Size Business Division (LMSB) of the IRS. The pilot of this program operated in calendar years 2000 and 2001. Because of its success, it has now been made permanent. Among favorable comments about the program from both taxpayers and the IRS are the efficiency of resolving issues at a time when personnel relevant to the issue are still present. Substantial resource savings were experienced during the pilot relative to hours spent on the examined issue in a pre-filing mode versus what would have been spent by both sides in an audit situation. Similarly, elapsed time savings of nearly a year were touted by both sides.

The Pre-Filing agreement is not intended to resolve disputes relative to questions of the law that are not well settled. The appropriate avenue for such issues is the private letter ruling. There are many issues that can be covered by a PFA. Among the issues involved in the PFA pilot were:

- Expense vs capitalization
- Reorganization
- Research Credit
- Valuation of Assets
- Start-Up Costs

There are also specific international issues for which a PFA can be requested. Generally among excluded areas for consideration of a PFA are Advance Pricing Agreements, issues of reasonable cause, due diligence and issues that can be resolved using a change in method of accounting request.

A taxpayer's request for a PFA should include (this is not an all inclusive list): basic identifying information about the taxpayer, the accounting period and method, a brief description of the business, the taxable period

for which the PFA is sought, a specific description of the issue and relevant legal authorities, and a discussion as to whether the issue can be resolved by the due date for the return.

If the IRS accepts the taxpayer's request for an LMSB PFA, an orientation will be scheduled immediately followed by a meeting with IRS representatives to thoroughly develop the facts and a successful resolution of the issue prior to the time for filing the taxpayer's return. If the IRS and the taxpayer can reach agreement, a draft PFA (a closing agreement) is prepared. At any time prior to the execution of the PFA either the taxpayer or the IRS may withdraw from consideration all or part of the request. A user fee is charged if the taxpayer's request for a PFA is accepted. For more information about Pre-Filing Agreements see Rev. Proc. 2001-22.

IDOR Enhances Sales Tax TeleFile



On May 1, 2002, the Illinois **Department of Revenue** (IDOR) enhanced its TeleFile system for sales and use tax

filers so they may file and pay their Form ST-1 in just one free telephone call! In the past, one telephone call was made to file the return and then another separate telephone call was needed to make a payment.

Also, use tax filers are now eligible to use the TeleFile system along with sales tax filers. This is an easy way to file zero balance and balance due sales and use tax returns.

For more information call 1 800 732-8866 or e-mail us at sttelefile@revenue.state.il.us.



IDOR Publishes Proposed Foreign Tax Credit Regulation

In Information Bulletin FY 2001-20, the **Illinois Department of Revenue** (IDOR) announced that early this year it would be publishing a regulation providing guidance on the computation of the foreign tax credit allowed to resident individuals, trusts, and estates for taxes paid to other states. Proposed regulation 86 Ill. Admin. Code Section 100.2197 has been published, and can be found on our Web site at http://www.revenue.state.il.us/legalinformation/prules/100-2197.pdf.

The proposed regulation defines "double-taxed income" consistent with the method it has historically used for Missouri taxpayers. Under that definition, a deduction is taken into account in computing double-taxed income only if both Illinois and the other state allow the deduction. Thus, for example, double-taxed income of a Missouri taxpayer will not be reduced by

the deductions allowed by Missouri for federal itemized deductions or for federal income taxes paid, because Illinois does not allow those deductions. In addition, exemptions are never taken into account.

The Schedule CR and its instructions for 2002 will be amended extensively to conform to the regulation, once it becomes final. Taxpayers and practitioners are encouraged to review the proposed regulation to see how it affects their situation. Comments and suggestions on the proposed regulation should be sent to:

Paul Caselton
Deputy General Counsel – Income Tax
Illinois Department of Revenue
Legal Services Office
101 West Jefferson Street
Springfield, Illinois 62794

National Tobacco Settlement Payments are Taxable Each Year

The **Internal Revenue Service** (IRS) recently announced that landowners, producers, and tobacco quota owners who receive money from the National Tobacco Settlement Trust must report those payments as income each year.

These payments are considered gross income for federal tax purposes and are taxable as ordinary income. Many tobacco farmers and others associated with tobacco production receive settlement payments from the trust, which was established to provide aid to tobacco growers and tobacco quota owners. The payments compensate for lost revenue because of decreased demand for tobacco, and ease potential economic consequences in states where tobacco is grown.

Tobacco companies are required to make the payments as part of the National Tobacco Grower Settlement. Farmers in 14 states will receive the payments over a 12-year period that began in 1999. The 14 states are Alabama, Florida, Georgia, Indiana, Kentucky, Maryland, Missouri, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia.

"These payments are taxable as part of gross income and some of those who receive them may not be aware of that," IRS Commissioner Charles O. Rossotti said. "Since these payments can range from hundreds to thousands of dollars, the possible penalties and interest charges for not reporting the income could be substantial. We want to help those who receive these payments avoid making an error on their tax returns."

Taxpayers should have received a Form 1099-MISC in January that showed the payment amount they should have reported on their 2001 return. The payment is reported as income on different tax forms, however, depending on specific taxpayer situations. For example, a taxpayer who raises and sells a tobacco crop would report the payment as gross income on Schedule F, "Profit or Loss From Farming," and would be subject to applicable self-employment tax. Landowners or tobacco quota owners, who historically have leased their tobacco-related property and did not help to produce the crop, would report the settlement payments as farm rental income on Form 4835, Farm Rental Income and Expenses.

IRS Publication 225, "Farmer's Tax Guide," has more information on these forms and how farm income should be reported. Publication 225 and tax forms are available through the IRS Web site at *www.irs.gov* or by calling *1 800 TAX-FORM* (1 800 829-3676). Taxpayers can also contact the IRS toll-free at *1 800 829-1040* for more information.



Internal Revenue Service Taxpayer Assistance Centers

Provide the Right Service at the Right Times in the Right Locations

Taxpayers will get face-to-face help at the **Internal Revenue Service** (IRS) resolving federal tax problems every business day of the year at the Internal Revenue Service Taxpayer Assistance Centers. The personal assistance once offered through special events is now available every day, to every taxpayer, at every IRS Taxpayer Assistance Center, including help with innocent spouse claims, payment plans, offers in compromise, federal tax liens and levies, and IRS account or notice issues.

Taxpayer Assistance Centers also provide tax forms and information to all taxpayers, plus need-based return preparation and electronic filing for taxpayers with basic returns and incomes of \$33,000 or less. IRS employees will offer assistance options, including practitioner referral services, to taxpayers whose incomes or

return preparation needs exceed the basic service. Visit the IRS Web site at *www.irs.gov* for updated office hours and locations.

IRS offers many other convenient ways to obtain tax forms, tax information, and return preparation, some available 24 hours a day, including:

	IRS Web site	www.irs.gov
1	Tax assistance by phone	1 800 829-1040
1	Recorded tax information	1 800 829-4477
1	Forms and publications	1 800 829-3676
1	Forms by fax	703 368-9694
1	Automated refund information	on 1 <i>800 829-4477</i>

Volunteer assistance

Illinois Expands Electronic Funds Transfer Program

Effective October 1, 2002, the **Illinois Department** of Revenue (IDOR) will expand its Electronic Funds Transfer (EFT) program to include several new taxes. IDOR will require taxpayers who meet or exceed the statutory threshold of a \$200,000 annual tax liability to pay that particular tax by using the EFT program. The new taxes include

- Gas Revenue tax,
- Electricity Excise tax,
- Other Tobacco Products tax, and
- Telecommunications tax.

However, the threshold for Telecommunications tax will be lowered to \$1,000 monthly liability beginning January 1, 2003, per Senate Bill 88.

Effective January 1, 2003, IDOR will also require taxpayers that meet or exceed the annual threshold of \$200,000 for Cigarette tax, Cigarette Use tax, Liquor Revenue tax, Liquor Revenue Airline tax, and Hotel Operators' Occupation tax to begin making their payments using the EFT program.

Illinois Adds Visa to Credit Card Options

Locations available

by calling 1 800 829-1040

The **Illinois Department of Revenue** (IDOR) has added Visa to its list of credit cards that may be used by taxpayers to pay their individual income tax. Other credit cards that may be used are MasterCard, American Express, and Discover.

Credit cards may be used to pay estimated payments or payments for prior tax years. Payments are credited the same day they are entered. Payments can be entered by

- touch-tone phone by calling 1 800 2PAYTAX
 (1 800 272-9829) or
- on the Internet at www.officialpayments.com.

The jurisdiction code for the Illinois Department of Revenue is 2300.

An additional convenience fee will be charged to the taxpayers' card by the credit card processor.



2002 Nationwide Tax Forums

Make plans to attend one of the Nationwide Tax Forums to learn about the latest

Internal Revenue Service (IRS) initiatives for efile.

The Tax Forums have grown from fewer than 4,000 participants five years ago to more than 12,000 last year, making them the largest outreach program the Service provides to the tax professional community. The average practitioner serves 500 clients, influencing the reach of the Service's corporate, servicewide messages presented at the forums.

IRS personnel will be available to answer questions about e-file, taxpayer education programs, and procedural issues.

The registration form as well as hotel, airline, and car rental information is available through the IRS Web site at www.irs.gov. The locations and dates of the forums are shown below.

Make hotel reservations as soon as possible as rooms are limited. When making reservations, indicate that you are a participant in the IRS Tax Forum to obtain the room rates mentioned below.

City	Dates	Hotel	Telephone
Atlantic City, NJ Room Rate: \$125	July 9-11	Sheraton Atlantic City Two Miss America Way Atlantic City, NJ 08401	800 325-3535
		Additio Oity, No 00401	
Ft. Lauderdale, FL	July 23-25	Wyndham Resort & Spa 250 Racquet Club Rd.	954 389-3300
Room Rate: \$72		Ft. Lauderdale, FL 33326	
St. Louis, MO	August 6-8	Millennium Hotel 200 South 4 th St.	314 241-9500
Room Rate: \$90		St. Louis, MO 63102	
Atlanta, GA	August 20-22	Hyatt Regency Atlanta 265 Peachtree St. NE	404 577-1234
Room Rate: \$93		Atlanta, GA 30303	
New Orleans, LA	September 3-5	New Orleans Marriott 555 Canal St.	888 364-1200
Room Rate \$102		New Orleans, LA 70130	
Reno, NV	September 17-19	Atlantis Casino Resort 3800 S. Virginia St.	800 723-6500
Room Rate \$65		Reno, NV89502	

IRS Criminal Investigation Public Information Officers: A New Approach to Outreach

The Internal Revenue Service (IRS) Criminal Investigation (CI) Public Information Officers (PIOs) are working to inform the public about IRS efforts in tax law compliance and enforcement activities.

As part of IRS modernization, Roper Starch Worldwide, Inc., conducted a study in September 1999, to determine the public's attitudes toward income tax and the IRS. Results showed that the majority of taxpayers make an honest effort to file accurate and timely tax returns and want to know that everyone else pays his or her fair share of taxes.

The study further revealed that individuals who are tempted to evade their tax obligations need to see that the IRS is serious about enforcing the tax laws. Both of these needs could be addressed most effectively by increased publicity of CI enforcement efforts.

In October 2000, Criminal Investigation assigned 35 Special Agents with collateral duties to serve as Public Information Officers in its 35 field offices. The PIOs serve as the contact point for all internal and external CI communication initiatives, including issuing investigation-related press releases and coordinating with the U.S. Attorney's offices and other law enforcement agencies. Publicity is focused on three distinct audiences:

- Honest taxpayers who want to know that the American system of taxation is sound and that everyone is paying his or her fair share of taxes
- Dishonest taxpayers who willfully fail to pay or file taxes and
- The practitioner community who can help CI, especially in the areas of abusive trusts, employment taxes, return preparer fraud and "antigovernment" nonfiler schemes.

CI reaches these audiences through:

 An Internet site on "tax fraud alerts" that educates the public about the latest tax scams and schemes against honest taxpayers;

- Practitioner magazines that explain IRS compliance/enforcement efforts, and;
- Media contacts who cover criminal tax cases on individuals and tax fraud in specific occupations or businesses.

Publicity has increased on radio and television talk shows and many primetime news shows, as well as in the print media. Publicity regarding criminal enforcement activities that cross over several state lines has been coordinated for maximum impact in the media.

Save on 2002 IRS Nationwide Tax Forums

Once again, the **Illinois Department of Revenue** (IDOR) will be offering special pricing for IRS Nationwide Tax Forums being held in Atlantic City, NJ; Ft Lauderdale, FL; St Louis, MO; Atlanta, GA; New Orleans, LA; New Orleans, LA; and Reno, NV.

The basic fee to attend the tax forum this year is \$65 for the first attendee. The second member from the same business or organization pays \$50 and all subsequent members of the same business or organizations, including spouse, pay \$40. However, if you mail or fax your registration form directly to IDOR's Electronic Filing Division, you will pay only \$40 per attendee.

Specific dates, places, the required registration form and the instructions regarding special pricing are available on the Illinois Department of Revenue's Web site, under Electronic Services at www.ILTax.com.

IRS in Process of Changing Collection Procedures

The Small Business/Self-Employed Operating Division (SB/SE) of the **Internal Revenue Service** (IRS) is in the process of implementing its collection reengineering initiative. The collection process has undergone many changes over the past five years due to the reorganization of the IRS and due to the numerous law changes in the Reform and Restructuring Act of 1998 (RRA 98). The collection reengineering initiative was developed to meet the crucial need of the collection program to balance customer service, enforcement activity, and employee satisfaction.

The collection reengineering process has three main objectives:

- To redesign the collection process
- > To review policies and procedures

To update the antiquated workload selection and inventory delivery systems for the collection employees.

The collection reengineering process was designed with the help of the consulting company Booze-Allen. Booze-Allen is a company with wide experience in leading improvement initiatives for both private businesses and government agencies.

Phase One of the collection reengineering process has already been completed. During this phase, a team of Collections employees met to identify the barriers that were making it difficult for revenue officers and their managers to do their jobs. The team then developed recommendations for improving policies and procedures that could be implemented into the collection process without legislation. The team also developed methods to improve the way the inventory of collection cases was prioritized in the field to make a revenue officer's activities more productive.

The next phase of collection reengineering was formation of the Collection Strategy Team. The team was chartered to build models that will identify the characteristics of balance due cases that will be resolved in specific treatment streams using historical data. These models will help the IRS to make better use of its limited resources by routing cases directly to the most beneficial treatment stream rather than putting all cases through all treatment steps. The team has built the models, and they are in the process of being tested by the IRS.

Last summer, the Collection Process Improvement Team began designing and implementing short-term collection process improvements. This team is focusing on five short-term initiatives for immediate improvement of the collection process. The team will also work to build these improvements into the long-term initiatives for improving the collection process.

Collection reengineering will also incorporate procedures for improved treatment of collection cases that are deemed as currently not collectable. When these procedures are developed the treatment of these cases will be streamlined for more efficient resolution.

Once the collection reengineering initiative is completed, the actions of collection employees should be more efficient and productive, which will benefit not only the IRS and its employees, but also the taxpayers with balances due to the IRS. Taxpayer cases should be settled in a more fair and efficient manner, saving the taxpayer time, money, and aggravation.

For more information about the collection reengineering initiative, you can view the Collection Reengineering Road Map at http://www.hq.irs.gov/sbse2/Projects.htm.

IDOR Amends Retailers' Occupation Tax Regulations

The **Illinois Department of Revenue (IDOR)** has amended regulations under the *Retailers' Occupation Tax Act* to implement provisions of Public Acts. The department also promulgated a new regulation under the *Retailers' Occupation Tax Act* to provide comprehensive treatment to the sales and use tax consequences for sales of floor coverings. The department's rulemaking amended 86 Ill. Administrative Code Section 130.332.

This rulemaking adds and amends provisions to update Section 130.332 to reflect the changes made by P A. 92-0337. Prior to this legislation, only vending machines that dispensed hot food or beverage items were exempt. This legislation extends the exemption, effective January 1, 2002, to cover machines used in commercial, coin-operated amusement and vending businesses.

As explained by Section 130.332, tax liability must be incurred in operation of the machine for its purchase to qualify for the exemption. The amended regulation contains examples of this. The regulation points out that purchases of bulk vending machines remain fully taxable. This is because gross receipts derived from sales of certain items for \$.50 or less through bulk vending machines are not subject to sales tax under Section 1 of the Retailers' Occupation Tax Act, 35 ILCS 120/1.

FedState Tax Review Illinois Town, USA The department also amended 86 Ill. Administrative Code Section 130.2004. This rulemaking added provisions to implement Public Act 92-35, effective July 1, 2001. This legislation requires cultural/arts organizations to obtain tax exemption identification numbers ("E numbers") in order to document their exempt status. This is the same requirement that applies to organizations that are organized and operated exclusively for charitable, religious or educational purposes. The legislation also requires that the cultural/arts organizations be organized and operated primarily for the presentation or support of cultural/arts activities.

The department's rulemaking adopted a new regulation, 86 Ill. Administrative Code Section 130.2101. This regulation provides guidance for sellers of floor coverings. The new regulation contains illustrative examples for both retail sale and construction contractor transactions. The regulation explains the manner in which Use Tax liability is to be paid by a construction contractor and also sets out a safe harbor rule that can be used by sellers.

These amendments to Sections 130.332 and 130.2004 were adopted effective April 1, 2002. The amended rules were published at 26 Ill. Reg. 5369, Issue # 15, and dated April 12, 2002. New Section 130.2101 was adopted effective April 15, 2002. The new rule was published at 26 Ill. Reg. 5946, Issue # 17, and dated April 26, 2002. The full text of each regulation is available for viewing or downloading at the department's Web site.

Old Private Letter Rulings Need To Be Revoked

The **Illinois Department of Revenue** (IDOR) department recently promulgated an internal rule, effective April 11, 2002, which significantly impacts Private Letter Rulings and their recipients.

Beginning July 1, 2002, 2 III. Adm. Code 1200.110 has been amended to provide that every Private Letter Ruling is revoked on the date that is 10 years after the date of issuance of the ruling or July 1, 2002, whichever is later. Once revoked, a Private Letter Ruling may no longer be relied upon for any purpose. Taxpayers entitled to rely upon a particular Private Letter Ruling will need to apply for a new one prior to the revocation dates listed above.

IRS Providing Innovative Support to Stakeholders

Internal Revenue Service (IRS) Commissioner Rossotti's charge to "engage – then decide," has Small Business/Self-Employed (SBSE) Taxpayer Education and Communication (TEC) busy developing relationships with stakeholders and creating new, innovative products based on the needs of its customers. Here is a rundown of what TEC has been working on.

New Approaches to Interacting with Stakeholders

SBSE is working more closely with small business stakeholders as they develop revenue procedures, initiatives, and programs.

- Cash Method Forty-five organizations representing small businesses, tax practitioners, federal agencies, and the Congress met with IRS Counsel to refine a revenue procedure to significantly reduce the administrative and tax compliance burdens on small businesses and potentially resolve many disputes with the IRS regarding the use of the cash method. It is anticipated that 500,000 small businesses will benefit from this new procedure and allow them to focus on their core business and spend less time on tax matters.
- Monthly Meetings SB/SE has established separate monthly meetings for representatives for small business and tax practitioners. At these meetings, the IRS shares information on programs to stakeholders and gains valuable feedback on how to improve IRS operations and programs.
- Sharing Information TEC has undertaken an aggressive program of providing information to stakeholders. On average, TEC sends four or five information packages to stakeholders each month on important issues. TEC has begun to increase its outreach by initiating meetings with representatives of specific trade groups such as the medical and construction communities to deliver specific messages to improve compliance.

A Variety of Innovative Products

The Small Business Resource Guide on CD-ROM is a must for every small-business owner, or any taxpayer about to start a business. This handy, interactive CD contains all the business tax forms, instructions, and publications to successfully manage a business. It also includes valuable information concerning the IRS Disaster Relief Efforts and The Welfare-to-Work Credit.

- Introduction to Federal Taxes for Small Business/Self-Employed – This CD-ROM course introduces business students, new small business owners, and self-employed entrepreneurs to IRS tax law in an easy to understand format.
- ◆ A Virtual Small Business Workshop This CD is a powerful tool that replicates the best of the IRS's years of presentations of workshops for small businesses. It provides information on all the key aspects of the tax implications involved in establishing and running a small business. The user sees the instructor along with an outline of the presentation. In addition, the closed caption option provides the instruction in English, Spanish, and Mandarin Chinese.
 - The CD-ROM is usable in a classroom setting, in one-on-one counseling, or as a self-study tool. It is a creative, educational, and interactive tool that makes use of voice, video, animation, graphics, and contemporary situations.
- ◆ Internet The small business community continues to be improved by adding information for different interest groups as well as information on all the latest IRS initiatives and programs. For example, the Web page provided immediate information to small businesses on disaster assistance and has provided valuable information for overseas taxpayers through the international community site.

National Research Program to be Less Intrusive

In January 2002, the **Internal Revenue Service** (IRS) proposed a new program to measure taxpayer compliance. The National Research Program (NRP) will measure filing, payment, and reporting compliance by taxpayers.

In announcing the NRP program, Treasury Secretary Paul O'Neill noted, "The problem is that currently, there are no up-to-date data on who is and is not paying their fair share, and why." The IRS has not conducted updated research on the distribution of errors in returns for more than 13 years. By not updating this information, the IRS has less ability to direct its audits and other compliance activities with accuracy.

One way this is being reflected is the number of "no change" audits, which have increased steadily from less than 21 percent in 1993 to more than 27 percent projected in 2005. It means the IRS is devoting resources to auditing compliant taxpayers, which does not help improve overall compliance.

How is NRP Different?

The program will be far less intrusive and burdensome on taxpayers than previous compliance studies. It is designed to accurately measure tax compliance while minimizing the need to contact taxpayers during the process.

Payment compliance data will be generated annually and reporting compliance surveys will be conducted every three years. The data will then be used to update the formulas used for selecting returns for audit. NRP will measure the different types of compliance as follows:

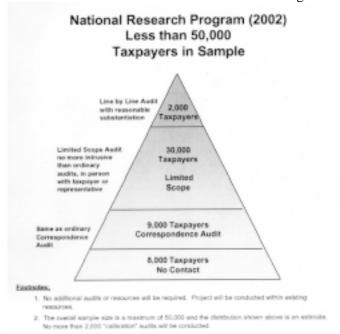
- Filing compliance will be measured using sample data from the Census Bureau.
- Payment compliance will be measured using information the IRS has available.
- Reporting compliance will be measured by analyzing a sample of tax returns.

When Does NRP Begin?

The first stage of the NRP study is set to begin in September 2002 and will focus on individual income taxes. Future stages will measure other taxes and other types of taxpayers. The IRS will use existing resources in its audit program to implement NRP, and the NRP sample

will account for only about 1.1 percent of the total audit-related contacts planned for the year.

Obtaining a measure of overall income tax compliance will allow the IRS to better measure its "bottom line" and enhance resource allocation decision-making



Limiting Taxpayer Burden

The NRP process will limit the burden on taxpayers selected to be in the NRP sample by making maximum use of data the IRS already has collected:

No Contact at All: Through better case-building, NRP examiners will be able to determine that some taxpayers have plausibly met their reporting responsibility without resorting to an intrusive audit.

Correspondence Audit: Some taxpayers will receive correspondence from NRP examiners, asking that they support items that cannot be otherwise verified.

Limited Scope or Line by Line: Other taxpayers will have complicated tax returns with significant items that NRP examiners can verify only with a face-to-face audit.

It should be noted that these audits would generally be no more burdensome than ordinary operational audits, due to the case-building activities that NRP examiners will have done in advance of the audit. The case building will allow examiners to focus more attention on questionable items and should improve productivity.

IRS Reduces Paperwork Burden on Small Businesses

In a significant cost-saving move for small businesses, the **Internal Revenue Service** (IRS) has reduced paperwork for most small businesses currently required to file corporate income tax return forms.

Starting with the 2002 tax year, companies with less than \$250,000 of gross receipts and less than \$250,000 in assets will no longer have to complete Schedules L, M-1 and M-2 of Form 1120; Parts III and IV of Form 1120-A; and Schedules L and M-1 of Form 1120S.

"These changes could save 2.6 million small businesses an estimated 61 million staff hours. This is staff time now spent preparing these forms. These changes will mean a significant financial savings for small businesses," said Charles O. Rossotti, IRS commissioner. "This is part of an on-going effort by the IRS to ease the burden on America's taxpayers wherever possible."

Rep. Don Manzullo of Illinois, chairman of the House Small Business Committee, said, "Instead of spending countless hours and endless amounts of money figuring their tax returns, our small employers can now focus on their businesses and their employees. I congratulate Commissioner Rossotti for again coming to the aid of small business owners by ridding them of unnecessary tax burdens."

The exemption for small businesses will allow them to use recordkeeping based on their checkbook or cash receipts and disbursements journal instead of additional accounting methods for tax reporting. The companies will still be required to maintain records detailing assets, liabilities, equity accounts, and adjustments used to arrive at taxable income.

Schedule L (Part III of Form 1120-A) provides the beginning and end of the year balance sheets based on the corporation's books. Small businesses typically prepare this form only because it is required for tax purposes. Schedule M-1 (Part IV of Form 1120-A) provides reconciliation of income or loss in accounting records with income or loss on the tax return. Schedule M-2 reflects unappropriated retained earnings. For most small businesses Schedule M-1 and M-2 reflect little more than the beginning balance as affected by current income or loss and the ending balance.

For larger companies, these schedules are necessary tools in the examination of corporate returns. However, for most small businesses, these schedules have a limited application.

John Herzog, vice president for public policy of the Air Conditioning Contractors of America, praised the change. "This is another indication of the new fresh air approach IRS has taken to regulation in order to lessen the burden on small businesses. Our members greatly appreciate it."

Illinois Department of Revenue Informational Bulletins

The following **Illinois Department of Revenue** (IDOR) informational bulletins have been published since March 2002.

Bulletin number	Title	Month issued
FY 2002-28	Changes to Liquor Tax Filing Requirements	March 2002
FY 2002-29	Changes to Cigarette Tax and Tobacco Products Tax	March 2002
FY 2002-30	Filing Extensions for Utility Providers	March 2002
FY 2002-31	Changes for Providers of Telecommunication Service	March 2002
FY 2002-32	Changes in Filing Requirements for Utility Providers	March 2002
FY 2002-33	Sales to Direct Payment Program Participants	April 2002
FY 2002-34	Change in COAD Applications	May 2002
FY 2002-35	Sales Tax Rate Changes	May 2002

You can obtain copies of these bulletins by vising our Web site at www.ILtax.com; by calling our 24-hour Form Order Line at 1 800 356-6302; or by writing to the Illinois Department of Revenue,

P.O. Box 19010, Springfield, Illinois 62794-9010. Our TDD (telecommunications device for the deaf) number is 1 800 544-5304.



IRS Official Rulings and Procedures

Income Averaging for Farmers

T.D. 8972, which appeared in Internal Revenue Bulletin 2002-5, dated February 4, 2002, provides final regulations under section 1301 of the Code for individuals engaged in a farming business who may elect to income average and thereby reduce their regular tax liability by treating all or a portion of the current year's farming income as if it had been earned in equal portions over the prior three years.

Announcement 2002-23, which appeared in Internal Revenue Bulletin 2002-8, dated February 25, 2002 contains corrections to the final regulations.

LIFO Inventory Guidelines

T.D. 8976, which appeared in Internal Revenue Bulletin 2002-5, dated February 4, 2002, provides final regulations under section 472 of the Code which relate to inventories under the last-in, first-out (LIFO) method. The regulations provide guidance regarding methods of valuing dollar-value LIFO pools and affect persons who elect to use dollar-value LIFO and inventory price index computation (IPIC) methods or who receive dollar-value LIFO inventories in certain nonrecognition transactions.

Announcement 2002-22, which appeared in Internal Revenue Bulletin 2002-8, dated February 25, 2002, contains corrections to the final regulations.

2002 Auto Depreciation Limits and Lease Inclusion Amounts

Rev. Proc. 2002-14, which appeared in Internal Revenue Bulletin 2002-5, dated February 4, 2002, provides owners and lessees of passenger automobiles (including electric automobiles) with tables detailing the limitations on depreciation deductions, first placed in service during calendar year 2002 and the amounts to be included in income for automobiles first leased during calendar year 2002. In addition, it provides the maximum allowable value of employer-provided automobiles first made available to employees for personal use in 2002 for which the vehicle cents-per mile valuation rule provided under section 1.61-21(e) of the regulations may be applicable.

Federal Tax Lien Regulations

T.D. 8979, which appeared in Internal Revenue Bulletin 2002-6, dated February 11, 2002, provides final regulation under section 6320 of the Code which set forth the IRS procedures for notice to taxpayers of the right to a hearing with respect to the filing of a federal tax lien on or after January 19, 1999. Among other things, the regula-

tions describe how to request a hearing, what can be considered at the hearing, and how to obtain a judicial review of a determination from the hearing.

IRS Levy Regulations

T.D. 8980, which appeared in Internal Revenue Bulletin 2002-6, dated February 11, 2002, provides final regulation under section 6330 of the Code which set forth the IRS procedures for notice to taxpayers of the right to a concerning an IRS levy made on or after January 19, 1999. Among other things, the regulations describe how to request a hearing, and how to obtain a judicial review of a determination from the hearing.

Dealer in Securities Futures Contracts

Rev. Proc. 2002-11, which appeared in the Internal Revenue Bulletin 2002-7, dated February 19, 2002, provides guidelines for an exchange to follow in order to obtain a letter ruling regarding whether certain persons trading on that exchange qualify as "dealers" in securities futures contracts (or options on such contracts) for purposes of section 1256(g)(9) of the Code. Also, after issuance of a specific letter ruling determining dealer status, the Service expects to publish the same conclusion in a revenue ruling.

Definition of Disqualified Person for Like-Kind Exchanges

T.D. 8982, which appeared in Internal Revenue Bulletin 2002-8, dated February 25, 2002, provides final regulations under section 1031 of the Code. It narrows the definition of the term disqualified person for section 1031 like-kind exchanges in response to recent changes in federal banking law, especially the repeal of section 20 of the Banking Act of 1933 (the Glass-Steagall Act). The regulations will affect the eligibility of certain persons to serve as escrow holders of qualified escrow accounts; trustees of qualified trusts, and qualified intermediaries.

Automatic Change to Cash Method of Accounting

Notice 2002-14, which appeared in Internal Revenue Bulletin 2002-8, dated February 25, 2002, provides that qualifying small business taxpayers within the scope of the proposed revenue procedure set forth in Notice 2001-76 (2001-52 I.R.B. 613) may change to the cash method of accounting and treat inventoriable items as non-incidental materials and supplies with respect to its eligible trades or businesses for any taxable year ending on or after December 31, 2001.



IRS Official Rulings and Procedures - continued

Tax Relief for Military and Support Personnel in Afghanistan

Notice 2002-17, which appeared in Internal Revenue Bulletin 2002-9, dated March 4, 2002, provides guidance, in a question and answer format, on the tax relief provided under Executive Order No. 13239 (2001-53 I.R.B. 632) for U.S. military and support personnel involved in the military operations in Afghanistan.

Impact Fees for New Residential Rental Buildings

Rev. Rul. 2002-9, which appeared in Internal Revenue Bulletin 2002-10, dated March 11, 2002, provides that impact fees incurred by a taxpayer in connection with the construction of a new residential rental building are capitalized costs allocable to the building.

2001 Disaster Areas Declared

Rev. Rul. 2002-11, which appeared in Internal Revenue Bulletin 2002-10, dated March 11, 2002, provides the list of areas declared by the President to qualify as major disaster or emergency areas during 2001 under the Disaster Relief and Emergency Assistance Act.

Private Foundations List

Announcement 2002-28, which appeared in Internal Revenue Bulletin 2002-11, dated March 18, 2002, provides a list of organizations now classified as private foundations.

Changed in Methods of Accounting Information

Announcement 2002-37, which appeared in Internal Revenue Bulletin 2002-13, dated April 1,2002, discusses some of the most significant and prevalent issues raised in comments received in connection with Notice 98-31 (1998-1 C.B. 1165) which proposed procedures for Service-imposed accounting method changes and the resolution of accounting method issues on a nonaccountingmethod change basis.

Treatment of Acquisition of Assets with Existing Indebtedness

Notice 2002-21, which appeared in Internal Revenue Bulletin 2002-14, dated April 8,2002, provides guidelines for treating transactions for assets that have indebtedness in

excess of the fair market value of the assets transferred. The notice states that the taxpayer's basis in the assets acquired is equal to the fair market value of such assets upon their acquisition by the taxpayer rather than the stated principal amount of the indebtedness.

List of Countries Subject to Section 911(d) Waiver

Rev. Proc. 2002-20, which appeared in Internal Revenue Bulletin 2002-14, dated April 8, 2002, provides guidance for individuals who fail to meet the eligibility requirements of section 911(d)(1) of the Code because adverse conditions in a foreign country preclude the individual from meeting those requirements. A current list of countries and the dates those countries are subject to the section 911(d)(4) waiver was provided.

Fractional Interest in Rental Property

Rev. Proc. 2002-22, which appeared in the Internal Revenue Bulletin 2002-14, dated April 8, 2002, specifies the conditions under which the Service will consider a request for a ruling that an individual fractional interest in a rental property (other than mineral property as defined in section 614) is not an interest in a business entity within the meaning of section 301.7701-3 of the regulations.

Partial Relief from Charitable Contribution Substantiation Rules

Notice 2002-25, which appeared in Internal Revenue Bulletin 2002-15, dated April 15, 2002, provides that due to the unique circumstances of the September 11 tragedy, the substantiation rules for some charitable donations have been eased. Taxpayers, who made charitable contributions of \$250 or more after September 10, 2001, and before January 1, 2002, are provided with partial relief from the "contemporaneous written acknowledgment" requirement of section 170(f)(8) of the Code with respect to those contributions.

Application of Undesignated Payments

Rev. Proc. 2002-23, which appeared in Internal Revenue Bulletin 2002-15, dated April 15, 2002, provides updated information about how the Service applied partial undesignated payments against assessed tax, penalty and interest.



for Practitioners

Check the Date on That IRS OIC Form

The May 2001 revisions of Form 656, Offer in Compromise (OIC), and the Collection Information Statements, have made it easier to evaluate offers, and will ultimately help reduce the time spent processing them.

Beginning May 1, 2002, **only** this new revision will be accepted by the COIC sites. Offers submitted on an older version will be treated as non-processable and returned to the taxpayer without any further investigation.

How to Request an IRS Speaker

The Internal Revenue Service (IRS) provides speakers to professional and other groups to discuss a variety of tax topics. Your request must be in writing (it may be faxed) and should be received at least four weeks in advance of the requested speaking date.

Be sure to include the following information with your request: name of organization, topics to be discussed, date, time, location, format and time allotted for speech, estimated audience size, and the name and phone number of a contact person.

Requests may be faxed to Flora Scott, TEC Management Assistant, at (312) 566-3721. If you have any questions, Flora may be contacted at (312) 566-2900.

Subscribe to the IRS Local News Net

The **Internal Revenue Service** (IRS) offers a free electronic mail service designed to provide localized information for tax professionals in Illinois.

To subscribe to a local mailing lists(s), use the sign-up form provided on the Tax Professional area of the IRS web site at www.irs.gov.

Tax Talk Today Continues

Tuesday – June 11, 2002: A Technical Approach Large & Mid-Size Business Industry Resolution

Tuesday – July 9, 2002

E-Future: An Update to e-filing

Tuesday – August 13, 2002

Tax Return Accuracy: The Never-Ending Dispute

The above programs will be aired 1 p.m.- 2 p.m. Central Time. More information is available at www.taxtalktoday.tv

IDOR Watches Senate Bill 1543

The Illinois Department of Revenue (IDOR) outlines how the new "Federal Job Creation and Worker Assistance Act of 2002" will affect taxpayers if Governor Ryan signs Senate Bill 1543.

This bill passed both the Illinois Senate and the Illinois House of Representatives, **and if enacted** Illinois will disallow the bonus depreciation deduction allowed under the new federal Act.

Under the new **federal Act**, individual and corporate filings

for 2001 through 2004 changed. For federal income tax purposes, businesses are able to deduct 30 percent of the cost of capital assets placed in service between September 10, 2001, and September 11, 2004.

If Governor Ryan signs Senate Bill 1543, taxpayers will figure their **Illinois base income** by adding the 30 percent bonus depreciation and, in

general, to recompute their income as if the bonus depreciation had not been claimed. Taxpayers who have already filed claiming the new federal bonus depreciation deduction, will have to amend their Illinois Income Tax return. IDOR is preparing a bulletin that will offer guidance on how to apply the provisions of this bill. It will be mailed to all practitioners when the bill is

signed into law by the governor.

For more detailed information, a copy of this bill is available on our Web site at **www.lLtax.com** under "Tax Professionals," "Laws," and "Legislature." The status of that legislation can be monitored at_http://www.legis.state.il.us.



Department of the Treasury Internal Revenue Service

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Tax Workshops Scheduled

The Internal Revenue Service (IRS) Small Business/ Self-Employed Taxpayer Education and Communication office works with the Small Business Administration (SBA) and the Small Business Development Centers (SBDC) to schedule workshops throughout Illinois for new small businesses. These workshops offer opportunities for new small business owners to ask questions and receive guidance in tax laws. Speakers may include representatives from the IRS, the Illinois Department of Revenue (IDOR), the

SSA, and the **Illinois Department of Employment Security** (IDES).

The following workshops and seminars have been scheduled through September 2002. For information on locations, times, and fees, have your clients call the contact for the workshop they would like to attend.



Date	Workshop	Location	Contact	
July 9	Business	Edwardsville	Small Business Development Center	618 650-2929
July 16, 17	Business	Chicago	Dudley's Cosmetology	Betty Clawson 773 445-5765
July 18	Business	Chicago – IRS	One-Stop Capital Shop	312 886-0705
July 23	Business	Champaign	1206 S. 6th	217 244-1585
August 6	Business	Decatur	U of I Extension Service	Wilkinson 217 875-8284
August 8	Payroll Tax	University Park	Governor's State	Hillary Burkinshaw 708 534-4929
August 15	Business Wkshp	River Grove	Triton College	708 456-0300 ext. 3246
August 22	Business	Chicago – IRS	One-Stop Capital Shop	312 886-0705
September 12	Business Wkshp	River Grove	Triton College	708-456-0300 ext. 3246